



Budget Watchdog

House Budget Committee Democratic Staff

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When It Comes to Tax Cuts, Republicans' Budget Resolution Is the Gift That Keeps on Giving

So far this year, House Republicans have voted for a half a trillion dollars in tax cuts for the next decade — far more than their resolution ostensibly allows — highlighting the emptiness of their budget resolution as any kind of commitment to fiscal discipline.

This week, the House is considering still more tax cuts. The ten-year cost of this week's tax cut is likely to be about \$65 billion, and the five-year cost is about \$24 billion. Already this year, House Republicans have passed 19 tax cut bills that have no prospect of becoming law. This is a striking contrast to the fact that they have managed to pass only five of the 13 appropriations bills.

With the tax bill expected to come to the floor this week, total five-year revenue losses from tax cuts that House Republicans have voted for amount to almost three times the putative limit in their budget resolution. Assuming this week's bill passes, House Republicans will have voted for \$75.8 billion over five years in new tax breaks, compared to the \$27.9 billion that their budget resolution ostensibly allows. Over ten years, the budgetary cost of all these tax cuts comes to \$529 billion — without counting approximately \$100 billion in extra interest on the public debt that this would entail. Every penny of the cost comes out of the Social Security Trust Fund surplus. The Republicans' budget resolution does not even show ten-year numbers in an attempt to cloak

the long-term consequences of their agenda.

One tax cut proposal Republicans are bringing to the House floor this week, modeled on H.R. 1619, is an increase in the deductibility of stock market losses. Republicans portray this as a tax cut to help the economy. In fact, it will give investors with unrealized losses an incentive to sell their stocks, driving the market down even further.

The provisions of H.R. 5558 also will be part of this week's proposal, an increase in the amount that can be contributed annually to 401(k) and IRA retirement accounts. This too is billed as a short-run economic stimulus. However, it would in reality provide an incentive to increase tax-preferred saving for only those high-income individuals who are constrained by the current limit. For instance, a Treasury Department study in 2000 found that only four percent of taxpayers who were eligible for conventional IRAs in 1995 made the maximum contribution of \$2000.

Whatever the merits of this week's tax cut proposals and whatever the merits of the 19 earlier tax cuts on which the House has voted, it is clear that Republicans cannot simultaneously claim credit for any number of politically appealing tax cuts and also for a real budget resolution embodying credible fiscal discipline, which pays down the debt and saves the Social security surplus.

**Direct Budgetary Cost of House
Tax Bills
Billions of Dollars**

	<u>2003-07</u>	<u>2003-12</u>
H.R. 4	19.3	34.5
H.R. 7	4.9	15.4
H.R. 2563	7.9	24.2
H.R. 333	0.3	0.5
H.R. 586	9.0	373.7
H.R. 3762	0.9	2.4
H.R. 4626	0.9	0.9
H.R. 4156	0	0
H.R. 4826	0	0
H.R. 5063	0.1	0.2
H.R. 4946	1.5	5.5
H.R. 3009	3.7	5.5
H.R. 5193	4.9	4.9
H.R. 3210	-2.1	-5.3
H.R. 4775	0.3	0.8
H.R. 3763	-0.4	-0.9
H.R. 3340	0.2	0.4
H.R. 5557	0.2	0.3
H.R. 5385	0.3	0.4
H.R. 1619	9.9	23.9
H.R. 5558	14.2	41.5
TOTAL	75.8	528.8
Budget Resolution Limits	27.9	NA